GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:614
ANSWERED ON:21.02.2003
SETTING UP OF INDIAN NATIONAL RURAL BANK
A.K. PREMAJAM;VARKALA RADHAKRISHNAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Chairman of NABARD, Reserve Bank of India and the Parliamentary Standing Committee of Finance has recommended for establishment of an Indian Rural Bank combining all 196 rural banks to streamline and strengthen the rural economy; and

(b) if so, action taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO.V. ADSUL)

(a) & (b) : The matter of formation of National Rural Bank of India (NRBI) by way of amalgamation of all the 196 RRBs in the country was considered by the Government, Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) some time during the year 1992-93. After considering a number of alternative models for restructuring of RRBs, including setting up of National Rural Bank, it was decided to revamp the RRBs by cleansing of their balance sheets on a `stand alone` basis. Accordingly, 187 out of 196 RRBs, have been taken up so far, for comprehensive restructuring including cleansing up of their balance sheets and infusion of fresh capital. In addition to this several policy changes have been initiated to facilitate strengthening and revitalization of RRBs. These changes include:-

i) introduction of Development Action Plan and Memoranda of Understanding(DAP/MOU) on an annual basis for bringing improvement in the performance of the RRBs in a planned way, introduction of prudential norms covering income recognition, asset classification and provisioning norms;

ii) diversification of business portfolios and activities;

iii) rationalization of branch network including relocation and merger of loss making branches;

iv) deregulation of interest rate structure; and

v) providing greater role to the sponsor banks in management of the affairs of RRBs etc.These initiatives have brought positive results and out of 196 RRBs, 167 have reported profits as on 31-3-2002 and 86 have wiped off accumulated losses.